

STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTHCARE
HEALTHCARE SERVICE PLAN

1

MONTHLY FINANCIAL REPORTING FORM

Submitted on 6/25/2003 1:33:30 PM

		1
1.	FORTHEMONTHENDING:	May31,2003
2.	Name:	DEDICATED DENTAL SYSTEMS, INC.
3.	File Number: (Enter last three digits) 933-0	244
4.	Date Incorporated or Organized:	July 7, 1985
5.	Date Licensed as a HCSP:	See Attached
6.	Date Federally Qualified as a HCSP:	N/A
7.	Date Commenced Operation:	1988
8.	Mailing Address:	3990 Ming Avenue, Bakersfield, CA 93309
9.	Address of Main Administrative Office:	3990 Ming Avenue, Bakersfield, CA 93309
10.	Telephone Number:	(661) 397-5513
11.	HCSP's ID Number:	77-0078333
12.	Principal Location of Books and Records:	3990 Ming Avenue, Bakersfield, CA 93309
13.	Plan Contact Person and Phone Number:	David Stanfield, (949) 567-3151
14.	Financial Reporting Contact Person and Phone Number:	Robert Hill, (310) 765-2470
15.	President:*	David Stanfield
16.	Secretary:*	Thomas Gibbon
17.	Chief Financial Officer:*	Robert Hill
18.	Other Officers:*	David Spence, Chief Operating Officer
19.		
20.		
21.		
22.	Directors:*	David Stanfield
23.		Robert Hill
24.		
25.		
26.		
27.		
28.		
29.		
30.		
31.		




The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as hereinstated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deduction therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32. President	/s/ David Stanfield
33. Secretary	/s/ Thomas Gibbon
34. Chief Financial Officer	/s/ Robert Hill
*Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35. If this is a revised filing, check here:	<input type="checkbox"/>
36. If all dollar amounts are reported in thousands (000), check here:	<input type="checkbox"/>
<div>Check My Work.</div>	

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTHCARE
HEALTHCARE SERVICE PLAN**

MONTHLY FINANCIAL REPORTING FORM

SUPPLEMENTAL INFORMATION

		1
1.	Are footnoted disclosures attached with this filing?	Yes 
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	No 
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	Yes 

STATEMENT AS OF 5-31-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #1----PART A: ASSETS

1	2
CURRENT ASSETS:	Current Period
1. Cash and Cash Equivalents	1,542,470
2. Short-Term Investments	0
3. Premiums Receivable-Net	14,796
4. Interest Receivable	0
5. Shared Risk Receivables-Net	0
6. Other Health Care Receivables-Net	1,927,109
7. Prepaid Expenses	100,321
8. Secured Affiliate Receivables-Current	0
9. Unsecured Affiliate Receivables-Current	377,998
10. Aggregate Write-Ins for Current Assets	212,098
11. TOTAL CURRENT ASSETS (Items 1 to 10)	4,174,792
OTHER ASSETS:	
12. Restricted Assets	50,000
13. Long-Term Investments	0
14. Intangible Assets and Goodwill-Net	79,380
15. Secured Affiliate Receivables-Long-Term	0
16. Unsecured Affiliate Receivables-Past Due	0
17. Aggregate Write-Ins for Other Assets	11,923
18. TOTAL OTHER ASSETS (Items 12 to 18)	141,303
PROPERTY AND EQUIPMENT	
19. Land, Building and Improvements	0
20. Furniture and Equipment-Net	444,905
21. Computer Equipment-Net	11,883
22. Leasehold Improvements-Net	616,346
23. Construction in Progress	0
24. Software Development Costs	0
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	1,073,134
27. TOTAL ASSETS	5,389,229
DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS	
1001. Supplies Inventory	212,098
1002.	0
1003.	0
1004.	0
1098. Summary of remaining write-ins for Item 10 from overflow page	0
1099. TOTALS (Items 1001 thru 1004 plus 1098)	212,098
DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS	
1701. Deposits	11,923
1702.	0
1703.	0
1704.	0
1798. Summary of remaining write-ins for Item 17 from overflow page	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	11,923
DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT	
2501.	0
2502.	0
2503.	0
2504.	0
2598. Summary of remaining write-ins for Item 25 from overflow page	0
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

STATEMENTASOF5-31-2003OF933-0244DEDICATEDDENTALSYSYSTEMS,INC.

REPORT#1----PARTB:LIABILITIESANDNETWORTH

1	2	3	4
CURRENTLIABILITIES:	CurrentPeriod		
	Contracting	Non-Contracting	Total
1. TradeAccountsPayable	263,771	XXX	263,771
2. CapitationPayable	0	XXX	0
3. ClaimsPayable(Reported)	5,474		5,474
4. IncurredButNotReportedClaims	18,360		18,360
5. POSClaimsPayable(Reported)	0		0
6. POSIncurredButNotReportedClaims	0		0
7. OtherMedicalLiability	0		0
8. UnearnedPremiums	483,880	XXX	483,880
9. LoansandNotesPayable	0	XXX	0
10. AmountsDueToAffiliates-Current	0	XXX	0
11. AggregateWrite-InsforCurrentLiabilities	456,940	0	456,940
12. TOTALCURRENTLIABILITIES(Items1to11)	1,228,425	0	1,228,425
OTHERLIABILITIES:			
13. LoansandNotesPayable(NotSubordinated)	0	XXX	0
14. LoansandNotesPayable(Subordinated)	0	XXX	0
15. AccruedSubordinatedInterestPayable	0	XXX	0
16. AmountsDueToAffiliates-LongTerm	0	XXX	0
17. AggregateWrite-InsforOtherLiabilities	0	XXX	0
18. TOTALOTHERLIABILITIES(Items13to18)	0	XXX	0
19. TOTALLIABILITIES	1,228,425	0	1,228,425
NETWORTH			
20. CommonStock	XXX	XXX	35,292
21. PreferredStock	XXX	XXX	0
22. PaidInSurplus	XXX	XXX	360,083
23. ContributedCapital	XXX	XXX	0
24. RetainedEarnings(Deficit)/FundBalance	XXX	XXX	3,765,429
25. AggregateWrite-InsforOtherNetWorthItems	XXX	XXX	0
26. TOTALNETWORTH(Items20to25)	XXX	XXX	4,160,804
27. TOTALLIABILITIESANDNETWORTH	XXX	XXX	5,389,229
DETAILSOFWRITE-INSAGGREGATEDATITEM11FORCURRENTLIABILITIES			
1101. AccruedPayrollandRelated	412,888		412,888
1102. AccruedLiabilities	44,052		44,052
1103.	0		0
1104.	0		0
1198. Summaryofremainingwrite-insforItem11fromoverflowpage	0		0
1199. TOTALS(Items1101thru1104plus1198)	456,940	0	456,940
DETAILSOFWRITE-INSAGGREGATEDATITEM17FOROTHERLIABILITIES			
1701.	0	XXX	0
1702.	0	XXX	0
1703.	0	XXX	0
1704.	0	XXX	0
1798. Summaryofremainingwrite-insforItem17fromoverflowpage	0	XXX	0
1799. TOTALS(Items1701thru1704plus1798)	0	XXX	0
DETAILSOFWRITE-INSAGGREGATEDATITEM25FOROTHERNETWORTHITEMS			
2501.	XXX	XXX	0
2502.	XXX	XXX	0
2503.	XXX	XXX	0
2504.	XXX	XXX	0
2598. Summaryofremainingwrite-insforItem25fromoverflowpage	XXX	XXX	0
2599. TOTALS(Items2501thru2504plus2598)	XXX	XXX	0

STATEMENTASOF5-31-2003OF933-0244DEDICATEDDENTALSYSTEMS,INC.

REPORT#2:REVENUE,EXPENSESANDNETWORTH

	1	2
	CurrentPeriod	Year-To-Date
REVENUES:		
1. Premiums(Commercial)	318,427	1,413,797
2. Capitation	45,522	232,985
3. Co-payments, COB, Subrogation	83,519	383,060
4. TitleXVIII-Medicare	0	0
5. TitleXIX-Medicaid	0	0
6. Fee-For-Service	877,972	4,727,264
7. Point-Of-Service(POS)	0	0
8. Interest	0	0
9. RiskPoolRevenue	0	0
10. AggregateWrite-InsforOtherRevenues	200	59,503
11. TOTALREVENUE(Items1to10)	1,325,640	6,816,609
EXPENSES:		
MedicalandHospital		
12. InpatientServices-Capitated	0	0
13. InpatientServices-PerDiem	0	0
14. InpatientServices-Fee-For-Service/CaseRate	0	0
15. PrimaryProfessionalServices-Capitated	-107,048	64,860
16. PrimaryProfessionalServices-Non-Capitated	548,330	2,819,888
17. OtherMedicalProfessionalServices-Capitated	0	0
18. OtherMedicalProfessionalServices-Non-Capitated	116,931	718,178
19. Non-ContractedEmergencyRoomandOut-of-AreaExpense,notincludingPOS	0	0
20. POSOut-Of-NetworkExpense	0	0
21. PharmacyExpense-Capitated	0	0
22. PharmacyExpense-Fee-for-Service	0	0
23. AggregateWrite-InsforOtherMedicalandHospitalExpenses	327,557	1,593,935
24. TOTALMEDICALANDHOSPITAL(Items12to23)	885,770	5,196,861
Administration		
25. Compensation	36,177	141,552
26. InterestExpense	0	0
27. Occupancy, DepreciationandAmortization	12,431	62,200
28. ManagementFees	0	0
29. Marketing	0	0
30. AffiliateAdministrationServices	0	0
31. AggregateWrite-InsforOtherAdministration	56,085	207,423
32. TOTALADMINISTRATION(Items25to31)	104,693	411,175
33. TOTALEXPENSES	990,463	5,608,036
34. INCOME(LOSS)	335,177	1,208,573
35. ExtraordinaryItem		
36. ProvisionforTaxes	144,000	520,000
37. NETINCOME(LOSS)	191,177	688,573
NETWORTH:		
38. NetWorthBeginningofPeriod	3,825,627	3,649,125
39. AuditAdjustments	0	0
40. Increase(Decrease)inCommonStock	0	0
41. Increase(Decrease)inPreferredStock	0	0
42. Increase(Decrease)inPaidinSurplus	0	0
43. Increase(Decrease)inContributedCapital	144,000	520,000
44. Increase(Decrease)inRetainedEarnings:	0	0
45. NetIncome(Loss)	191,177	688,573
46. DividendstoStockholders	0	-696,894
47. AggregateWrite-InsforChangesinRetainedEarnings	0	0
48. AggregateWrite-InsforChangesinOtherNetWorthItems	0	0
49. NETWORTHENDOFPERIOD(Items38to48)	4,160,804	4,160,804

STATEMENT AS OF 5-31-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #2: REVENUE, EXPENSES AND NETWORTH

1		2	3
		Current Period	Year-to-Date
DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES			
1001.	Other Specialty Program Revenue	200	59,503
1002.			
1003.			
1004.			
1005.			
1006.			
1098.	Summary of remaining write-ins for Item 10 from overflow page		
1099.	TOTALS (Items 1001 thru 1006 plus 1098)	200	59,503
DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES			
2301.	Dental Supplies and Lab	110,692	548,398
2302.	Marketing	16,628	94,648
2303.	Practice G&A	139,478	648,736
2304.	Occupancy, Depreciation, and Amortization	60,759	302,153
2305.			
2306.			
2398.	Summary of remaining write-ins for Item 23 from overflow page		
2399.	TOTALS (Items 2301 thru 2306 plus 2398)	327,557	1,593,935
DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES			
3101.	HMO G&A	14,846	159,129
3102.	HMO Bad Debt	327	7,382
3103.	Other Income and Expense	40,912	40,912
3104.			
3105.			
3106.			
3198.	Summary of remaining write-ins for Item 31 from overflow page		
3199.	TOTALS (Items 3101 thru 3106 plus 3198)	56,085	207,423
DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS			
4701.			
4702.			
4703.			
4704.			
4705.			
4706.			
4798.	Summary of remaining write-ins for Item 47 from overflow page		
4799.	TOTALS (Items 4701 thru 4706 plus 4798)	0	0
DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NETWORTH ITEMS			
4801.			
4802.			
4803.			
4804.			
4805.			
4806.			
4898.	Summary of remaining write-ins for Item 48 from overflow page		
4899.	TOTALS (Items 4801 thru 4806 plus 4898)	0	0

REPORT#3:STATEMENTOFCASHFLOWS(DirectMethod)

1	2	3
	CurrentPeriod	Year-to-Date
CASHFLOWPROVIDEDBYOPERATINGACTIVITIES		
1. Group/IndividualPremiums/Capitation	283,155	1,652,350
2. Fee-For-Service	864,597	4,675,519
3. TitleXVIII-MedicarePremiums	0	0
4. TitleXIX-MedicaidPremiums	0	0
5. InvestmentandOtherRevenues	200	59,503
6. Co-Payments,COBAndSubrogation	83,519	383,060
7. MedicalandHospitalExpenses	-1,130,116	-5,848,106
8. AdministrationExpenses	-359,288	-664,534
9. FederalIncomeTaxesPaid	0	0
10. InterestPaid	0	0
11. NETCASHPROVIDEDBYOPERATINGACTIVITIES	-257,933	257,792
CASHFLOWPROVIDEDBYINVESTINGACTIVITIES		
12. ProceedsfromRestrictedCashandOtherAssets	0	0
13. ProceedsfromInvestments	0	0
14. ProceedsforSalesofProperty,PlantandEquipment	0	0
15. PaymentsforRestrictedCashandOtherAssets	0	0
16. PaymentsforInvestments	0	0
17. PaymentsforProperty,PlantandEquipment	-11,960	-33,321
18. NETCASHPROVIDEDBYINVESTINGACTIVITIES	-11,960	-33,321
CASHFLOWPROVIDEDBYFINANCINGACTIVITIES:		
19. ProceedsfromPaidinCapitalorIssuanceofStock	0	0
20. LoanProceedsfromNon-Affiliates	0	0
21. LoanProceedsfromAffiliates	0	0
22. PrincipalPaymentsonLoansfromNon-Affiliates	0	0
23. PrincipalPaymentsonLoansfromAffiliates	0	0
24. DividendsPaid	0	-696,894
25. AggregateWrite-InsforCashProvidedbyFinancingActivities	144,000	520,000
26. NETCASHPROVIDEDBYFINANCINGACTIVITIES	144,000	-176,894
27. NETINCREASE(DECREASE)INCASH(Items11,18&26)	-125,893	47,577
28. CASHANDCASHEQUIVALENTSATTHEBEGINNINGOFTHEMONTH	1,668,363	1,494,893
29. CASHANDCASHEQUIVALENTSATTHEENDOFTHEMONTH	1,542,470	1,542,470
RECONCILIATIONOFNETINCOMETONETCASHPROVIDEDBYOPERATINGACTIVITIES:		
30. NetIncome	191,177	688,573
AdjustmentstoReconcileNetIncome to NetCash Providedby OperatingActivities		
31. DepreciationandAmortization	23,010	66,542
32. Decrease(Increase)inReceivables	-17,031	-219,864
33. Decrease(Increase)inPrepaidExpenses	13,251	27,458
34. Decrease(Increase)inAffiliateReceivables	-186,748	-143,015
35. Increase(Decrease)inAccountsPayable	-22,197	38,263
36. Increase(Decrease)inClaimsPayableandSharedRiskPool	-2,497	-3,092
37. Increase(Decrease)inUnearnedPremium	-77,138	2,935
38. AggregateWrite-InsforAdjustmentstoNetIncome	-179,760	-200,008
39. TOTALADJUSTMENTS(Items31through38)	-449,110	-430,781
40. NETCASHPROVIDEDBYOPERATINGACTIVITIES (Item30adjustedbyItem39mustagree toItem11)	-257,933	257,792
DETAILSOFWRITE-INSAGGREGATEDATITEM25FORCASHFLOWPROVIDEDBYFINANCINGACTIVITIES		
2501. Donatedcapital	144,000	520,000
2502.		0
2503.		
2598. Summaryofremainingwrite-insforItem25fromoverflowpage		
TOTALS(Items2501thru2503plus2598)	144,000	520,000
DETAILSOFWRITE-INSAGGREGATEDATITEM38FORADJUSTMENTSTONETINCOME		
3801. Decrease(Increase)inSuppliesInventories	9,263	7,723
3802. Increase(Decrease)inAccruedLiabilities	-181,264	-163,141
3803. Increase(Decrease)inAccruedPayroll	-7,759	-44,590
3898. Summaryofremainingwrite-insforItem38fromoverflowpage		
3899. TOTALS(Items3801thru3803plus3898)	-179,760	-200,008

REPORT#3:STATEMENTOFCASHFLOWS(IndirectMethod)

	1	2
	CurrentPeriod	Year-to-Date
CASHFLOWSFROMOPERATINGACTIVITIES:		
1. NetIncome(Loss)	191,177	688,573
ADJUSTMENTSTORECONCILENETINCOME(LOSS)TONETCASHPROVIDED(USED)		
BYOPERATINGACTIVITIES:		
2. DepreciationandAmortization	11,022	54,554
3. UnrealizedGains/LossesonEquitySecurities	0	0
4. Gain/LossonSaleofAssets	11,988	11,988
5. DeferredIncomeTaxes	0	0
CHANGEINOPERATINGASSETSANDLIABILITIES		
(Increase)DecreaseinOperatingAssets:		
6. Receivables	-17,031	-219,864
7. PrepaidExpenses	13,251	27,458
8. AffiliateReceivables	-186,748	-143,015
9. Aggregatwrite-insfor(increase)decreaseinoperatingassets	9,263	7,723
Increase(Decrease)inOperatingLiabilities:		
10. TradeAccountsPayable	-22,197	38,263
11. CapitationPayable	0	0
12. ClaimsPayableandIBNR	-2,497	-3,092
13. OtherMedicalLiability	0	0
14. UnearnedPremiums	-77,138	2,935
15. AffiliatePayables	0	0
16. Aggregatwrite-insforincrease(decrease)inoperatingliabilities	-189,023	-207,731
17. NETCASHPROVIDED(USED)INOPERATINGACTIVITIES	-257,933	257,792
CASHFLOWFROMINVESTINGACTIVITIES		
18. ProceedsfromRestrictedCashandOtherAssets	0	0
19. ProceedsfromInvestments	0	0
20. ProceedsforSalesofProperty,Plant,andEquipment	0	0
21. PaymentsforRestrictedCashandOtherAssets	0	0
22. PaymentsforInvestments	0	0
23. PaymentsforProperty,Plant,andEquipment	-11,960	-33,321
24. Aggregatwrite-insforcashflowprovidedbyinvestingactivities	0	0
25. NETCASHPROVIDED(USED)ININVESTINGACTIVITIES	-11,960	-33,321
CASHFLOWFROMFINANCINGACTIVITIES		
26. ProceedsfromPaid-in-CapitalorIssuanceofStock	0	0
27. LoanProceedsfromNon-Affiliates	0	0
28. LoanProceedsfromAffiliates	0	0
29. PrincipalPaymentsonLoansfromNon-Affiliates	0	0
30. PrincipalPaymentsonLoansfromAffiliates	0	0
31. DividendsPaid	0	-696,894
32. PrincipalPaymentsunderleaseobligations	0	0
33. Aggregatwrite-insforcashflowprovidedbyfinancingactivities	144,000	520,000
34. NETCASHPROVIDED(USED)INFINANCINGACTIVITIES	144,000	-176,894
35. NETINCREASE/(DECREASE)INCASHANDCASHEQUIVALENTS	-125,893	47,577
36. CASHANDCASHEQUIVALENTSATTHEBEGINNINGOFTHEMONTH	1,668,363	1,494,893
37. CASHANDCASHEQUIVALENTSATTHEENDOFTHEMONTH	1,542,470	1,542,470

REPORT#3:STATEMENTOFCASHFLOWS(IndirectMethod)

1		2	3
		CurrentPeriod	Year-to-Date
DETAILSOFWRITE-INSAGGREGATEDATITEM9FOR(INCREASE)DECREASEINOPERATINGASSETS			
901.	Supplies	9,263	7,723
902.			
903.			
998.	Summaryofremainingwrite-insforItem9fromoverflowpage		
999.	TOTALS(Items901thru903plus998)	9,263	7,723
DETAILSOFWRITE-INSAGGREGATEDATITEM16FORINCREASE(DECREASE)INOPERATINGLIABILITIES			
1601.	AccruedLiabilities	-181,264	-163,141
1602.	AccruedPayroll	-7,759	-44,590
1603.			
1698.	Summaryofremainingwrite-insforItem16fromoverflowpage		
1699.	TOTALS(Items1601thru1603plus1698)	-189,023	-207,731
DETAILSOFWRITE-INSAGGREGATEDATITEM24FORCASHFLOWPROVIDEDBYINVESTINGACTIVITIES			
2401.			
2402.			
2403.			
2498.	Summaryofremainingwrite-insforItem24fromoverflowpage		
2499.	TOTALS(Items2401thru2403plus2498)	0	0
DETAILSOFWRITE-INSAGGREGATEDATITEM33FORCASHFLOWPROVIDEDBYFINANCINGACTIVITIES			
3301.	Provisionfornoncashtaxes	144,000	520,000
3302.			
3303.			
3398.	Summaryofremainingwrite-insforItem33fromoverflowpage		
3399.	TOTALS(Items3301thru3303plus3398)	144,000	520,000

TOTAL ENROLLMENT[illegible]

1	
NOTES TO FINANCIAL STATEMENTS	
1.	NOTES TO FINANCIAL STATEMENTS
2.	For the period ended May 31, 2003 (dollars in thousands)
3.	
4.	1. Business Description
5.	
6.	Organization
7.	
8.	Dedicated Dental Systems, Inc. (the "Company"), a wholly owned subsidiary of InterDent Service
9.	Corporation ("Parent"), formerly Gentle Dental Service Corporation, was formed in 1985 as a licensed
10.	health maintenance organization under the California Knox-Keene Health Care Service Plan Act of
11.	1975 (the "Knox-Keene Act"). The Company delivers managed dental care services through its dental
12.	practice offices to enrolled individuals, subscriber groups, individuals covered by State of California
13.	Denti-Cal program, and individuals covered under fee-for-service plans. All of the Company's
14.	operations serve the Bakersfield, California, region. On July 31, 1998, Parent, a wholly owned
15.	subsidiary of InterDent, Inc., acquired all of the outstanding stock of the Company.
16.	
17.	2. Summary of Significant Accounting Policies
18.	
19.	(a) Business and Regulatory Environment
20.	
21.	The Company is licensed by the Department of Managed Health Care (the "DMHC"). The DMHC
22.	requires the Company to maintain a minimum tangible net equity balance. At May 31, 2003,
23.	the minimum balance required was calculated at approximately \$68. In addition, the DMHC
24.	requires the Company to maintain a minimum deposit of \$50 pursuant to the Knox-Keene Act.
25.	The deposit is comprised of a certificate of deposit held by a trustee and is included in the
26.	accompanying balance sheets as other restricted assets. Interest earned on the funds accrues
27.	to the Company and is not restricted to use.
28.	
29.	(b) Revenue Recognition and Health Care Services
30.	
31.	Prepaid dental care premiums from enrolled groups and individuals are reported as revenue
32.	in the month in which enrollees are entitled to receive dental care. Premiums received prior to such
33.	period are recorded as unearned premium revenue until earned.
34.	
35.	Fees for services and other revenues consist primarily of net patient service revenue (net patient
36.	revenue). Net patient revenue represents revenue reported at the estimated net realizable amounts
37.	from patients, third-party payors and others for services rendered, net of contractual adjustments.
38.	Such revenues are recognized as services are performed. The Company records its estimated liability
39.	for services provided by other parties based on historical information.
40.	
41.	(c) Cash and Cash Equivalents
42.	
43.	For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and
44.	interest-bearing deposits with original or remaining maturities of three months or less when purchased.
45.	
46.	(d) Accounts Receivable
47.	
48.	Accounts receivable principally represent receivables from patients and insurance carriers for dental
49.	services provided at established billing rates, less allowances and discounts for patients covered
50.	by third-party payor contracts. Payments under these programs are primarily based on
51.	predetermined rates. In addition, a provision for doubtful accounts is provided based upon
52.	expected collections and is included in medical and hospital and practice general and administrative
53.	expenses. These contractual allowances, discounts and allowance for doubtful accounts are
54.	deducted from accounts receivable in the accompanying balance sheets. The discounts and
55.	allowances are determined based upon historical realization rates, the current economic environment
56.	and the age of accounts. Change in estimated collection rates are recorded as a change in estimate
57.	in the period the change is made.
58.	
59.	Continued on tab "Sheet1")

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59.	(Continuedon"Sheet1")

STATEMENT AS OF 5-31-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

KNOX-KEENE
SUPPLEMENTAL INFORMATION
PURSUANT TO SECTIONS 1300.84.06 AND 1300.84.2

		1		2
1. Net Equity			\$	4,160,804
2. Add: Subordinated Debt			\$	0
3. Less: Receivables from officers, directors, and affiliates			\$	377,998
4. Intangibles			\$	79,380
5. Tangible Net Equity (TNE)			\$	3,703,426
6. Required Tangible Net Equity (See Below)			\$	67,862
7. TNE Excess (Deficiency)			\$	3,635,564
A. Minimum TNE Requirement	\$	Full Service Plans	\$	Specialized Plan
		1,000,000		50,000
B. REVENUES:				
8. 2% of the first \$150 million of annualized premium revenues	\$	0	2% of the first \$7.5 million of annualized premium revenue	\$ 67,862
Plus			Plus	
9. 1% of annualized premium revenues in excess of \$150 million	\$	0	1% of annualized premium revenue in excess of \$7.5 million	\$ 0
10. Total	\$	0	Total	\$ 67,862
C. HEALTHCARE EXPENDITURES:				
11. 8% of the first \$150 million of annualized healthcare expenditures, except those paid on a capitated or managed hospital basis.	\$	0	8% of the first \$7.5 million of annualized healthcare expenditures, except those paid on a capitated or managed hospital basis.	\$ 0
Plus			Plus	
12. 4% of annualized healthcare expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$	0	4% of annualized healthcare expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis.	\$ 0
Plus			Plus	
13. 4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	0	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$ 51,646
14. Total	\$	0	Total	\$ 51,646
15. Required "TNE" - Greater of "A" "B" or "C"	\$	0	Required "TNE" - Greater of "A" "B" or "C"	\$ 67,862

**KNOX-KEENE
SUPPLEMENTALINFORMATION
PURSUANTTOSECTIONS1374.64**

POINTOFSERVICE"ADJUSTED"TANGIBLENETEQUITYCALCULATION

CalculationofTangibleNetEquityandrequiredTangibleNetEquityinaccordancewithSection1374.64:

	1
1. NetEquity	\$ 4,160,804
2. Add:SubordinatedDebt	\$ 0
3. Less:Receivablesfromofficers,directors,and affiliates	\$ 0
4. Intangibles	\$ 0
5. TangibleNetEquity(TNE)	\$ 4,160,804
6. RequiredTangibleNetEquity(FromLine18below)	\$ 0
7. TNEExcess(Deficiency)	\$ 4,160,804
ADJUSTEDREQUIREDMINIMUMTANGIBLENETEQUITYCALCULATION:	
I. PlanisrequiredtohaveandmaintainTNEasrequiredbyRule1300.76(a)(1)or(2):	
8. MinimumTNEascalculatedunderRule1300.76(a)(1)or(2)	\$ 0
9. 10%ofannualizedhealthcareexpendituresforout-of-network serviceforpoint-of-serviceenrollees	\$ 0
10. Addlines8and9	\$ 0
II. PlanisrequiredtohaveandmaintainTNEasrequiredbyRule1300.76(a)(3):	
<u>PARTA</u>	
11. MinimumTNEasrecalculatedtoexcludeannualizedhealthcare expendituresforout-of-networkservicesforpoint-of-service enrollees(attachworksheetPage15)	\$ -
12. 10%ofannualizedhealthcareexpendituresforout-of-network servicesforpoint-of-serviceenrollees	\$ - 0
13. Addlines11and12	\$ 0

STATEMENTASOF5-31-2003OF933-0244DEDICATEDDENTALSYSTEMS,INC.

WORKSHEETFORADJUSTEDTANGIBLENETEQUITYCALCULATION

	1 FullService Plans	2 Specialized Plans
1. Healthcareexpendituresforperiod	\$ 0	\$ 0
Less:		
2. Capitatedormanagedhospitalpaymentbasisexpenditures	0	0
3. Healthcareexpendituresforout-of-networkservices forpoint-of-serviceenrollees	0	0
4. Result	0	0
5. Annualized	0	0
6. Reducetomaximumof\$150million	0	0
7. Multiplyby8%	\$ 0	\$ 0
Plus		
8. Annualizedhealthcareexpendituresexceptthosepaid onacapitatedormanagedhospitalpaymentbasisand excludinghealthcareexpendituresforout-of-network servicesforpoint-of-serviceenrollees	\$ 0	\$ 0
9. Line8less\$150million	0	0
10. Multiplyby4%	\$ 0	\$ 0
Plus		
11. Annualizedhospitalalexpenditurespaidonamanaged hospitalpaymentbasisandexcludinghealthcare expendituresforout-of-networkservicesfor point-of-serviceenrollees	\$ 0	\$ 0
12. Multiplyby4%	\$ 0	\$ 0
13. Total	\$ 0	\$ 0

STATEMENTASOF05-31-2003OF933-0244DEDICATEDDENTALSYSTEMS,INC.
 NOTESTOFINANCIALSTATEMENTS

(dollars in thousands)

(Continued)

(e) Supplies Inventory

Supplies consist primarily of disposable dental supplies and instruments stored at the dental practices. Supplies are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

(f) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost; replacements and major improvements are capitalized, while repairs and maintenance are charged to expense as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, typically ranging from three to 15 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

(g) Goodwill

In July 2001, the FASB issued Statements of Financial Accounting No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective for the Company in the first quarter of 2002. SFAS 142 requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. The Company performed the required impairment tests of goodwill as of January 1, 2002, as the goodwill is determined to have an indefinite life. No impairment was recorded during 2002 as a result of adopting SFAS 142. Also, the Company did not record amortization on its goodwill during 2002 or through May 31, 2003.

(h) Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes SFAS 121, and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effect of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this statement were effective on January 1, 2002. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations and no impairment of long-lived assets was recorded during the five months ended May 31, 2003.

(i) Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, certificates of deposit, receivables, and accounts payable. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

(j) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of premiums receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of individuals and employer groups comprising the Company's customer base.

(Continued on "Sheet 2")

STATEMENT AS OF 5-31-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.
FINANCIAL STATEMENTS
Dollars in thousands
(Continued)

(k) Income Taxes

The Company does not file separate federal, state and local tax returns as they are filed with the consolidated tax returns of Parent. According to a tax sharing agreement with Parent, no income taxes payable under the consolidated tax returns is allocated to or payable by the Company (see Note 7).

(l) Professional Liability Insurance

The Company maintains claims-made basis professional liability insurance coverage of \$5,000 per incident and \$5,000 in the aggregate on an annual basis. Claims-made coverage covers only those claims reported during the policy period. The Company expects to renew existing policies and to be able to continue to obtain coverage in future years.

(m) Claims Payable

Claims payable, included in the current liabilities, include amounts billed and not paid and an estimate of costs incurred for unbilled services ("IBNR") by dental care providers at the balance sheet date. At May 31, 2003, the IBNR reserve estimate was \$18.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(3) Equipment and Leasehold Improvements

The following table summarizes the components of equipment and leasehold improvements at May 31, 2003:

Equipment	\$1,440
Leasehold improvements	891
	<u>\$2,331</u>
Less accumulated depreciation and amortization	(1,258)
	<u>\$1,073</u>

(4) Commitments and Contingencies

The Company leases office space and equipment for its corporate and dental practice offices under various noncancelable operating leases. Future minimum lease payments due at May 31, 2003, including those with related parties as outlined in Note 6, are summarized as follows:

2003	\$183
2004	211
2005	206
2006	173
2007	105
Thereafter	203
	<u>\$1,081</u>

Rentalexpense, including equipment month-to-month rentals, totaled \$224 for the five months ended May 31, 2003.

(5) Employee Benefits

The Company participates in the InterDent, Inc. defined contribution plan in accordance with Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Contributions to the plan by the Company are discretionary. There were no Company contributions to the plan during the five months ended May 31, 2003.

(6) Related Party Transactions

To obtain favorable group purchases, Parent on behalf of the Company purchases certain goods and services. These goods and services are transferred to the Company at Parent cost. As payment for these services, the Company periodically transfers cash deposits to Parent. Parent received at May 31, 2003 was \$378 for advance payments.

Several professional associations ("P.A.'s") affiliated with Parent provided dental care services to certain Company enrolled groups. The Company paid \$141 in capitation payments to the P.A.'s for dental care services provided to enrollees of its insured groups during the five months ended May 31, 2003.

The Company continues to lease the following dental practice offices from Dental Practice Management ("DPM"), an entity owned by the Company's prior president:

Clinic	Location/ California
Mountain View Family Dentistry	Arvin
Rosedale Dental Practice	Bakersfield
California Dental Center	Bakersfield
San Dimas Orthodontic Center	Bakersfield
Delano Family Dentistry	Delano
Lake Isabella Family Dentistry	Lake Isabella

The leases require aggregate monthly payments of up to \$26 and expire at various dates through March 2010. Rentalexpense, aggregating \$129 for the five months ended May 31, 2003, is included in practice occupancy.

Future minimum lease payments under lease agreements with DPM at April 30, 2003 are summarized as follows:

2003	\$89
2004	90
2005	90
2006	90
2007	90
Thereafter	203
	<u>\$652</u>

(7) Income Taxes

The Company is included as part of the consolidated returns of InterDent, Inc. During the five months ended May 31, 2003, the Company recorded income tax expenses of \$20 as if the Company were taxed as a C Corporation and was responsible for its federal and state income taxes on a stand-alone rather than consolidated basis. However, under the Company's tax-sharing agreement with Parent, no income taxes payable under any federal, state, or local tax return of the consolidated group of which Parent is a member shall be allocated to or payable by the Company. As a result, the Company has recorded a capital contribution from Parent of \$520 for the five months ended May 31, 2003.

STATEMENTASOF5-31-2003OF933-0244DEDICATEDDENTALSYSTEMS,INC.

STATEMENTASOF5-31-2003OF933-0244DEDICATEDDENTALSYSTEMS,INC.

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